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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 005326

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TAGS: PREL PGOV CH TW

SUBJECT: TAIWAN: CHINESE CONTINUE TO EXPRESS CONCERN OVER CHEN SHUI-BIAN'S UN REFERENDUM

REF: A. BEIJING 5238

1B. BEIJING 4813 AND PREVIOUS

Classified By: Political Minister Counselor
Aubrey Carlson. Reasons 1.4 (b) and (d).

SUMMARY

11. (C) Beijing continues to hope that Washington can block Taiwan President Chen Shui-bian's plan to hold a referendum on membership in the UN under the name "Taiwan." In an August 7 meeting with a visiting U.S. Congressman, the Chairman of the National People's Congress (NPC) Foreign Affairs Committee referred to former Deputy Secretary Zoellick's comment that Taiwan independence "means war," arguing that to avoid such an outcome, the United States should oppose Chen's actions "even more clearly, openly and firmly." Separately, a well-connected scholar told Poloff that Beijing is counting on Washington to "control" Chen Shui-bian, lest he "force Beijing into a corner," leaving China no choice but to "overreact." Two other contacts discussed the role of public opinion, stressing that Taiwan is a domestic stability issue for Mainland leaders. Meanwhile, two Taiwan contacts with solid Mainland connections sounded a contrasting note, downplaying the level of PRC concerns and arguing that China knows the referendum issue will "fade away," together with Chen, in 2008. End Summary.

NPC Official Stresses PRC Concern over Referendum

12. (C) Chinese counterparts, both official and unofficial, continue to voice concern over Taiwan President Chen Shui-bian's plan to hold a referendum on membership in the UN under the name "Taiwan," while emphasizing Beijing's hope that Washington can rein Chen in. Delivering the official line on Taiwan, Jiang Enzhu, Chairman of the National People's Congress (NPC) Foreign Affairs Committee, on August 7 told a visiting U.S. Congressman Wexler that the coming year is a period of "high danger" and that we are headed "toward the brink" of a "very serious situation." Chen Shui-bian's recent actions show that he is trying to "alter the status quo." Chen has no credibility and will make the "most reckless moves" for the sake of next year's presidential election. If Chen's moves go unchecked, China's "sovereignty and territorial integrity will be damaged," which would threaten cross-Strait peace and stability and destabilize the entire region. China will do its utmost for peace and stability, but in the face of these moves, China must make preparations to forestall Taiwan independence, Jiang warned.

13. (C) Beijing appreciates Washington's reiteration of its one China policy, but China hopes the United States will

oppose "even more clearly, openly and firmly" Chen Shui-bian's "reckless provocations" and avoid sending "wrong signals," Jiang stated. Chen has turned a "deaf ear" to the strong opposition of the international community. If he is allowed to have his way, there will be "serious consequences," both for the United States and for China. Former Deputy Secretary Zoellick previously said that Taiwan independence "means war." To avoid such an outcome, the United States and China should work "all out" to oppose Taiwan independence, Jiang said. China hopes that the U.S. Government and Congress will also avoid sending "wrong signals" to Chen Shui-bian, such as the recent House resolution calling for the lifting of restrictions on meetings with Taiwan officials. Such moves only encourage Chen to go further down the "wrong path," eventually causing the situation to "spin out of control," at which point it might be too late to avoid conflict, Jiang asserted.

¶4. (C) China fears that Chen Shui-bian has miscalculated, believing that no matter the provocation, the United States will support him, Jiang said. Based on this misperception, Chen has taken a series of provocative actions and will continue to do so. According to Jiang, Chen Shui-bian hopes to "drag the United States into the water." Beijing wants to focus on economic development and improvement of the people's livelihood as its main tasks. For that reason alone, it hopes to maintain cross-Straits stability. Nevertheless, if Chen takes any moves to damage the sovereignty and territorial integrity of China, the PRC will be "cornered." If that happens, PRC leaders will "have to be responsible to the Chinese people." There is no room for Chinese leaders to compromise on issues of sovereignty and territorial integrity. If Chen Shui-bian harms cross-Straits stability, he will damage Sino-American common interests and our bilateral relations. We should take all possible measures to

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prevent this from happening, Jiang implored.

Think Tanker Stresses U.S. Role

¶5. (C) In a separate meeting, Cao Huayin (strictly protect), the well-connected Deputy Secretary General at Zheng Bijian's China Reform Forum, stressed that Beijing hopes Washington can control Chen Shui-bian. Beijing's worries extend well beyond the referendum to other, more provocative, possible actions by Taiwan, Cao explained. Beijing has therefore decided that it would be better to stop Chen now, before he does something more radical like using the referendum results to "overcome" constitutional and legislative impediments to independence. To counter our "common enemy" Chen Shui-bian, China needs the assistance of the United States. Though "satisfied" with the U.S. reaction to date, Cao said China still hopes to see Washington increase its public opposition to Chen's moves. The PRC is also concerned over the "consistency" of Washington's message to Taipei, especially on arms sales.

¶6. (C) Cao took on board Poloff's point that China should not overreact to the referendum, which itself would have no practical impact on Taiwan's status. Cao nonetheless countered that the United States needs to act to rein Chen in, lest Chen force China "to overreact." Beijing has been restrained and relatively skillful in its handling of the referendum issue thus far, Cao assessed. In the past few years, Beijing has shifted from a focus on "reunification" to simply preventing Taiwan independence and "not losing" the island. Nevertheless, Beijing "has its limits," Cao warned. Conflict is still a possibility, and the PRC has made "all necessary preparations" for "every potential outcome." Regardless, Cao emphasized that nothing has been decided yet and dismissed the notion that the referendum itself would "automatically" equal conflict or require a response under the Anti-Secession Law.

Divisions in Leadership over Taiwan?

¶ 7. (C) Cao Huayin repeatedly emphasized the "great unity" of opinion among Chinese elites on the danger posed by Chen and the need to oppose him actively. Separately, however, Ma Licheng (strictly protect), former senior editor at the People's Daily, recently told Poloffs that there are divisions among the Chinese leadership over precisely how to respond to Chen's provocations. Although a majority of the leadership is "moderate" on Taiwan, Ma said there are more "hardline" elements, especially among the PLA. Meanwhile, a small minority are relatively "relaxed" on the Taiwan issue. With moderates in the majority, Ma said he is "relatively optimistic" that conflict can be avoided and the status quo maintained, as long as China does not "lose" Taiwan. Ma emphasized that arguments claiming the referendum itself would require a Chinese reaction under the Anti-Secession Law represent "hardline" thinking, most likely within the PLA.

Taiwan as a PRC Domestic Stability Issue

¶ 8. (C) Two contacts argued that Taiwan is an important "domestic stability issue" for China. Ma Licheng dismissed the role of public opinion in shaping the details of PRC Taiwan policy but warned that it does determine "red lines," arguing that if Taiwan "achieves independence," the Chinese public will demand an attack on Taiwan. Nevertheless, Ma thought it would likely take "extreme action" on the part of Taiwan to constitute crossing one of Beijing's "red lines." Separately, Chen Tao (strictly protect), an official at the Ministry of Civil Affairs, told Poloff that Taiwan is a "life or death" matter for the Chinese leadership. Were Beijing to "lose" Taiwan, the Chinese Communist Party would then "lose its qualification" for ruling China. History shows that any Chinese government that allowed Taiwan to slip away "did not last long." The domestic social stability dimension of the Taiwan issue is never far from the minds of Chinese policymakers, Chen observed.

Taiwan Contacts Downplay PRC Concerns

¶ 9. (C) Meanwhile, two Taiwan contacts with ties to Mainland officials and solid Blue (pro-KMT) backgrounds recently downplayed the level of PRC concerns over the referendum and thought it unlikely that Beijing would invoke the Anti-Secession Law over the issue. Beijing-based Taiwan businessman (and former aide to Koo Chen-fu) Koh Boluo (strictly protect) believes the current situation is less serious than China would like the United States to believe.

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Koh, currently the Beijing representative for Taiwan Cement, claims to have many contacts in the PRC government, including the State Council's Taiwan Affairs Office (TAO). The PRC knows the referendum is going nowhere, as do the DPP and KMT, Koh said. The issue that everyone is interested in is how the United States will react. Beijing knows that the referendum, and any other Chen Shui-bian initiatives, will fade away after May 2008 (the inauguration of Chen's elected successor). The Chinese are not planning any precipitous action and will not invoke the Anti-Secession Law over the referendum, Koh argued. In fact, the pace of cross-Strait social, cultural and business exchanges is actually increasing. If Beijing were serious about saber-rattling, one of the first things it would turn off are the so-called "soft" exchanges, all of which are currently proceeding apace, Koh observed.

¶ 10. (C) Shih Chih-wei (strictly protect), a Taiwan journalist and scholar on U.S.-China-Taiwan relations who frequently travels to Beijing, separately told Poloff that, during his most recent trip to China last month, PRC contacts in Beijing were aware that Chen Shui-bian's referendum is designed to

strengthen the position of Deep Green (pro-independence Chen supporters in the DPP), ensure Chen a future political role and provoke China at a time when Chen's advisors feel that a PRC overreaction would be most damaging to China and generate the most sympathy for Taiwan. In Shih's opinion, Beijing will not go so far as to invoke the Anti-Secession Law. The referendum cannot succeed and is an aberration, not a precedent, Shih said, a fact that he claimed his contacts at Peking University and various Chinese think tanks said they understand.

RANDT